National Association of Wheat Growers

Recommendations for the Next Farm Bill

Prepared Testimony of

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1.0 Introduction

Let me begin by thanking the Chairman, the Ranking Member, and the rest of the Committee for the opportunity to appear before you today. My name is Dusty Tallman and it is an honor for me to present testimony on behalf of the nation's wheat producing farmers. I currently serve as President of the National Association of Wheat Growers (commonly referred to as NAWG by wheat producers). My family and I operate a wheat farm in Eastern Colorado.

NAWG is a grassroots organization of twenty-three state associations representing American producers of all classes of wheat from across all regions of the nation. NAWG's large and diverse membership stretches from the durum growers along the Canadian boarder, through red wheat producing regions in the center of America's heartland and Southern states, across the white wheat producing Pacific Northwest, to the winter wheat producers along both coasts.

Today, I will present our views on how the commodity program section of the Farm Bill can best be improved to meet the needs of the nation's agricultural producers. A summary of NAWG's recommendations is contained in Appendix A and a complete list of the budget estimates is contained in Appendix B. Other appendixes provide more supportive material in greater detail.

1.1 Process

NAWG's diverse membership, with all its varied interests and points of view, requires NAWG to seek consensus among all its members before staking out any policy position or before making any recommendation to this Committee. The views expressed in my testimony today have been thoroughly vented through NAWG's rigorous policymaking process.

In preparation for the next Farm Bill, NAWG leaders set out in mid-1999 to chart a clear course towards positions that would enjoy the broad support of wheat producers from every state and class of wheat. Following organizational meetings with representatives from the Food and Agricultural Policy Research Institute (FAPRI) and U.S. Wheat Associates (USW) – the wheat industry's export promotion arm – the NAWG Executive Committee called a special meeting of the National Board of Directors to develop possible farm bill positions.

The responsibility to unravel the results from these exploratory meetings and develop a unified position that enjoys the broad support of the entire U.S. wheat producing industry fell to the NAWG Domestic Policy Committee. This committee, chaired throughout 1999 and 2000 by Oregon Wheat League President Sherman Reese and currently chaired by North Dakota Grain Growers Association President Allan Skogen, has spent countless hours, several conference calls and four national meetings to seek input from growers and hammer out an agreement. I am pleased that Mr. Skogen and NAWG's Director of Government Relations Wayne Hammon who helped spearhead this work are here with me today and may assist in answering any questions you might have.

This three-year effort has resulted in my testimony today.

1.2 Budget estimates

Analysis of the recommendations made in the NAWG testimony was conducted by NAWG with input from the staff at FAPRI and is based upon FAPRI's preliminary estimates. FAPRI is currently working on a more complete analysis of the NAWG program, and it should be available by the end of March. The FAPRI analysis is in response to a request from Congressmen Mike Simpson (Idaho) and Earl Pomeroy (North Dakota) and Senators Larry Craig (Idaho) and Max Baucus (Montana)

2.0 The 1996 FAIR Act

Early in 1995, NAWG endorsed the free-market orientation which became the cornerstone of the Federal Agriculture Improvement and Reform Act of 1996 – the 1996 FAIR Act (Public Law 104-127). Since then, some organizations and even policymakers have made a name for themselves by second guessing the Farm Bill, blaming it for the low prices which continue to plague agriculture producers of almost every commodity.

Despite the economic hardships that have befallen rural America over the last three years, NAWG remains confident that the path outlined in the 1996 FAIR Act continues to serve the nation's farmers and ranchers well. In the case of wheat, lower prices can be directly traced to economic troubles in the major importing nations, especially those in Asia, good weather and record levels of production across the globe for five straight years, and the unfair trading practices of our major competitors. Likewise, agricultural exports continue to suffer in a world dominated by a strong U.S. dollar. None of which can be blamed on the 1996 FAIR Act.

Indeed without the "freedom to farm" elements of the 1996 FAIR Act the conditions of the nation's wheat producers would be considerably worse off. Guaranteed fixed payments, planting flexibility, and the non-recourse marketing loan have allowed wheat producers to change with market conditions and maximize returns on every acre of their operation.

2.1 Planting flexibility

The impact of the 1996 FAIR Act could not be more evident than by examining what has happened to wheat production since its adoption. Figures from the U.S. Department of Agriculture's (USDA) National Agriculture Statistical Service (NASS) show that farmers have capitalized on the farm bill's planting flexibility to reduce wheat plantings by over sixteen percent, from 75,105,000 acres in 1996 to 62,814,000 acres in 1999. Had farmers not been allowed to make such market adjustments on their own, wheat production and stocks would have continued to climb and wheat prices would have been even more depressed. [1]

Recommendation to the Committee (#1): NAWG recommends that the next Farm Bill build upon the success of the 1996 FAIR Act by keeping the basic farm support structure in place and that nothing be done to jeopardize the planting flexibility of "freedom to farm."

3.0 Fixed payments

The second important element of the 1996 FAIR Act that continues to play a considerable role in keeping American wheat producers successful is its guaranteed transition payments. While the amount of the payments decrease each year[2] and payments have been limited to only $40,000 annually per entity, transition payments have become an important part of the farm support system. Creditors, suppliers, landlords and others have become as dependent on such payments as have the farmers that receive them. Wheat producers feel that maintaining such a support system in the next Farm Bill is critical to their ability to conduct business with the multiple partners necessary to make their operations successful.

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[1] Data taken from the 1997-2000 annual Crop Production Summaries, published each January by the USDA's National Agriculture Statistical Service.

Year	Planted Acres
1999	62,814,000
1998	65,871,000
1997	70,412,000
1996	75,105,000
1995	69,177,000
1994	70,349,000
1993	72,168,000

[2] Data taken from "USDA Agricultural Baseline Projections to 2010," published by USDA's Farm Service Agency, February 2001.

Year	AMTA Payment
2002	$0.46
2001	$0.47
2000	$0.59
1999	$0.64
1998	$0.66

However, there remains a great deal of concern regarding the value of such payments in coming years, when budget restraints require severe reductions in the amount of payments. Accordingly, NAWG believes that such payments should be frozen at the 1999 level to ensure adequate support

Recommendation to the Committee (#2): NAWG recommends that the next Farm Bill include a guaranteed payment similar to the current transition payment equal to the amount provided for in 1999.

3.1 Budget Estimates

Providing a fixed payment to producers of currently eligible crops at a level equal to the 1999 AMTA would require $5.561 billion in annual budget authority, or $1.543 billion more than the current baseline projection. These figures do not include the costs associated with adding a fixed payment for oilseed producers as described below.

3.2 Oilseeds

In addition to the crops currently eligible for fixed payments, wheat producers support expanding eligibility to oilseed producers should they seek such a payment. However, this support is predicated on changes being made to equalize the commodity marketing loans as outlined below.

Recommendation to the Committee (#3): NAWG recommends that the next Farm Bill expand the eligibility for a guaranteed payment similar to the current transition payment to oilseed producers.

3.2.1 Budget Estimates

I point out to the Committee that throughout NAWG's testimony budget estimates relative to oilseeds include only those costs associated with soybean and sunflower programs which make up the bulk of all oilseed crops. Other oilseed programs, such as those for canola, mustard, rape seed and flax, would add a small amount of additional spending but only a very limited amount.

In addition to the figures above (section 3.1), extending fixed payments to oilseed producers would cost $808.5 million in budget authority each year.

3.3 Base acres

Of course, adding oilseed producers to the fixed payment equation will require the establishment of additional base. NAWG believes that the Committee should address this concern by employing the same base used to calculate the 1999 crop year ad hoc financial assistance that was distributed to these producers. However, once established, this base should not be updated each year, as is the current practice. With only this one exception, NAWG believes that existing historic bases for current program crops should remain in place throughout the term of the next Farm Bill.

Recommendation to the Committee (#4): NAWG recommends that the next Farm Bill maintain the current historical base for calculating support payments.

3.3.1 Total base

Special consideration should be given to guarantee that no individual producer is afforded more base acres than he actually farms. Such discrepancies should be addressed on a farmer-by-farmer basis as part of the contracting process. In the event that an individual producer is allocated more base acres than crop land acres, NAWG proposes that these excess base acres be pooled nationally to be redistributed to counties which have lowest base to planted acre ratio.

The NAWG analysis and cost estimates have been calculated with the above mentioned pooling of base in mind. All estimates were calculated with the assumption that payments would be made on all new eligible oilseed base acres as well as all existing base acres regardless of the producer's actual farm size. Accordingly, allowing producers to pool base or allowing base to be shifted among producers would not have any expense in addition to those figures included throughout this section of NAWG's testimony.

3.4 Other commodities

In addition to oilseeds, producers of a number of other commodities not traditionally covered by this part of the Farm Bill have sought guaranteed assistance as well. NAWG opposes these efforts to divert funds into other areas.

Recommendation to the Committee (#5): NAWG recommends that the next Farm Bill not include an expansion of base farm support programs to previously ineligible crops.

3.5 Payment limits

Section 115 of the 1996 FAIR Act limits the amount of assistance each farming entity receives from a fixed payment at $40,000 annually. While some still argue that such limits are a necessity in the preservation of some romantic vision of the "family farm," the truth of the matter is that most farming operations have grown over the life of the 1996 FAIR Act and that most farm families now plant and harvest more acres, raise more livestock, have more equipment and bear larger debts than they did just five years ago. To maintain a $40,000 payment limitation would ignore the changes that have swept agriculture and punish those producers that have made their operations a success. In addition, NAWG believes that eliminating the payment limitation on fixed payments would have no budget impact.

Recommendation to the Committee (#6): NAWG recommends that the next Farm Bill eliminate the payment limitation on all fixed support payments.

3.6 Budget estimates

Implementing the recommendations relative to fixed payments contained in this section of the NAWG testimony will require an average of $6.379 billion in budget authority each year over the life of the next Farm Bill, or an increase of $2.361 billion over the current projected baseline. This figure includes the $808.5 million necessary to extend fixed payments to oilseed producers (as outlined in section 3.2.1). A more complete summary of the analysis is contained in Appendix C.

Recommendation to the Committee (#7): NAWG recommends that the next Farm Bill include $6.379 billion annually of budget authority for fixed payments.

4.0 Commodity marketing loans

The third critical element of the 1996 FAIR Act that wheat producers believe must be continued as part of the next Farm Bill is the wheat marketing loan. In the last three years, a total of 533,072 loans have been made to producers of eligible crops, totaling $19,226,665,155.30 in value.[3] Of this activity, wheat loans make up 12.88 percent of the loans and 9.22 percent of the value.[4] Corn, for example, makes up 44.13 percent of the loan activity and 41.57 percent of the value and soybeans account for 26.86 percent of the activity and 24.89 percent of the value.[5]

More important to producers are the gains they made on this loan activity. According to the Price Support Division of USDA's Farm Service Agency (FSA), in the last three years, producers have received $14,437,764.32 worth of LDPs and another $3,293,571.31 in marketing loan gains.[6] Of these totals, wheat accounts for 14.32 percent of the LDP

[3] Data for 1998, 1999, and 2000 crop years (through January 13, 2001) from various reports on the Price Support Division of the Farm Service Agency's web site.
[4] Ibid. Wheat loans = 68,651. Wheat value = $1,771,635,203.26.
[5] Ibid. Corn loans = 235,254. Corn value = $7,991,810,761.13. Soybeans loans = 143,192. Soybean value = $4,786,440,173.22.
[6] Data from 1998, 1999 and 200 crop years through January 1, 2001 from activity reports on the Price Support Division of the Farm Service Agency's web site.

total and 4.52 percent of the gain.[7] One must stop and ask where would our nation's wheat producers be with out this much needed assistance? Or how many more would have been forced off their land without this important program?

Recommendation to the Committee (#8): NAWG recommends that the next Farm Bill maintain the marketing loan provisions of the 1996 FAIR Act with only minor modifications.

4.1 Secretary's discretion

For the purposes of today's testimony the NAWG analysis assumes that the next Farm Bill would be written in such a manner as to eliminate the Secretary's discretionary authority to set commodity marketing loan rates. Accordingly, rates would be set at 85 percent of the five year Olympic price average (with the exception of those commodities whose marketing loan is based upon a relationship to either corn or soybeans) but no less than the stated floor or no higher than the stated cap.

Removing this discretionary authority will result in significant savings in the commodity loan program. For example, employing the existing formulas, caps and floors as put into place by the 1996 FAIR Act would result in an average annual saving of $727 million over the life of the next Farm Bill. NAWG has yet to calculate the entire budgetary impact of this specific proposal but will provide such information as soon as it is available.

4.2 Payment limits

As with other types of federal assistance, Section 115 of the 1996 FAIR Act limits the amount of assistance each farming entity can receive from commodity marketing loan

[7] Ibid. Wheat LDP = $2,068,007.91. Wheat gains = $148,837.15. Corn LDP = $5,007,246.19. Corn gains = $870,550.72. Soybean LDP = $4,925,703.84. Soybean gain = $663,727.68.

gains at $75,000 annually. In addition, NAWG believes that eliminating the payment limitation on commodity marketing loan gains and LDPs would have no budget impact.

Recommendation to the Committee (#9): NAWG recommends that the next Farm Bill eliminate the payment limitation on all commodity marketing loan gains and LDPs.

4.3 Loan rate caps

In an effort to meet what were at the time agreed upon budget limits, section 132 of the 1996 FAIR Act set strict limits on the Secretary's authority to set commodity marketing loan rates. Several caps were created to limit expenses. In the case of the wheat marketing loan, a cap was placed at $2.58. While all loan eligible commodities received caps, wheat producers have long felt that the $2.58 cap, which is only 69.54 percent of what the wheat marketing loan rate would have otherwise been in 1998,[8] was unfair (especially when compared to the $1.89 cap for corn which is 74.12 percent of what the corn marketing loan rate would have been in 1998 if left uncapped and the $5.26 cap for soybeans which is 84.52 percent of what the soybean marketing loan rate would have been in 1998).

Nevertheless, the cap has remained in place and has, over the life of the 1996 FAIR Act, undoubtedly saved the federal treasury millions of dollars. However, with market prices in their fourth straight year of decline, the marketing loan rate cap issue is today almost irrelevant. In fact, USDA projections tell us that the wheat marketing loan rate will remain below the cap for the life of the next Farm Bill.[9]

While concerned of what effect an uncapped wheat marketing loan rate would have on our export markets at some future date should prices rebound, wheat producers do support raising the cap to a more equitable level.

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[8] From figures included in the USDA Economic Research Service's 2000 Baseline Projection Tables.
[9] Ibid.

NAWG believes that the following caps would better reflect the historical relationship of commodity prices:

Crop	Current Cap	New Cap
Wheat	$2.58	$3.05
Corn	$1.89	$2.09
Barley	$1.89	$2.08
Grain Sorghum	$1.89	$2.09
Oats	$1.12	$1.24
Upland Cotton	$0.5192	$0.567
Rice	$6.50	$7.31
Soybeans	$5.26	$5.26
Sunflowers	$9.30	$9.30

NAWG arrived at these new caps by calculating the uncapped commodity marketing loan value for each crop and averaging them over the life of the current Farm Bill. For example, had there been no cap on the soybean marketing loan rate, the loan would have averaged $5.25 or 99.81 percent of the current cap. Each commodity's average was then multiplied by 1.0019 to reflect an unchanged soybean loan. The results are listed above as the proposed caps with the following exceptions: 1) the historic relationship between sunflowers and other oilseeds to the soybean marketing loan was maintained; 2) the historic relationship between oats and the corn marketing loan was maintained; 3) the grain sorghum cap was made equal to the corn cap; and 4) the barley cap was set at the pound-per-pound relationship between the feed barley price and the corn price (or $1.80) plus the long term average premium for all barley assuming an even division between food and feed uses (or $0.28).

Recommendation to the Committee (#10): NAWG recommends that the next Farm Bill include the commodity marketing loan caps included in its testimony.

4.3.1 Budget estimates

Given projected prices over the next ten years, none of the commodity marketing loans will reach the new caps. This factor, when combined with the repeal of the Secretary's discretionary authority to set loan rates, eliminates any costs associated with them.

4.4 Loan rate floors

In addition to setting caps, section 132 of the 1996 FAIR Act established floors in the marketing loan rates for several commodities. For example, the floor on the upland cotton marketing loan was set at $0.50 (per pound), the soybean floor was set at $4.92, the floor for other oilseeds was set at $0.087 (per pound), and the rice floor was set at $6.50.

No such floor was created for the wheat marketing loan.

Wheat producers continue to view this inequity as unfair and believe that all formulas should be reestablished to include a minimum guaranteed amount to better protect them in years of low commodity prices.

Accordingly, NAWG believes that the following floors in the commodity marketing loans would better reflect the need to treat all commodities fairly:

Crop	Current Floor	New Floor
Wheat	none	$2.85
Corn	none	$1.90
Barley	none	$1.90
Grain Sorghum	none	$1.90
Oats	none	$1.10
Upland Cotton	$0.50	$0.52
Rice	$6.50	$6.50
Soybeans	$4.92	$4.92
Sunflowers	$8.70	$8.70

These new commodity marketing loan rate floors are the outcome of NAWG's lengthy work to provide equality across commodity programs. In preparing these recommendations, NAWG considered historical pricing patterns, the policy statements of national commodity and farm organizations, current federal farm policy and practices, reform efforts introduced by Members of Congress, grower concerns and perspectives, comparative production costs, changes in historical production patterns and other factors. Taken as a whole, we believe they accomplish our goal of providing equitable market support.

Recommendation to the Committee (#11): NAWG recommends that the next Farm Bill include the commodity marketing loan floors included in its testimony.

4.4.1 Budget estimates

The preliminary analysis conducted by NAWG shows that the loan adjustments described in this section, including the changes to the barley and grain sorghum loan calculations explained below, would save $727 million annually in marketing loan gains and LDPs. In total, an average of $1.072 billion in budget authority will be needed each year of the next Farm Bill to fully implement these reforms. A more complete summary of the budget analysis is contained in Appendix D.

Recommendation to the Committee (#12): NAWG recommends that the next Farm Bill include $1.072 billion annually of budget authority for commodity marketing loans.

4.5 Non-recourse v. recourse loans

Following many debates among wheat producers, NAWG is confident in stating that the non-recourse nature of the wheat marketing loan has served the industry well. In 1998, for example, wheat consisted of only 13.75 percent of the loan volume but made up 37.95 percent of the value of all forfeitures. In 1999, wheat made up 6.08 percent and 12.15

percent respectively.[10] This added flexibility has allowed wheat producers to further limit risk when faced with low prices (in both years) or a damaged product (in 1999).

Recommendation to the Committee (#13): NAWG recommends that the next Farm Bill retain the wheat marketing loan as a non-recourse loan.

4.6 Barley loan formula

In preparing for this hearing, NAWG has been in close communication with a number of other producer organizations that either have or will shortly testify before the Committee as well. We understand that as part of its testimony, the National Barley Growers Association has proposed reforming the barley marketing loan formula to reflect an all barley price independent of the corn marketing loan rate.

NAWG supports this change and has incorporated it into its budget estimates and analysis. These changes, including the reformulation of the calculation as well as the new marketing loan floor and cap, will cost an average of $65.875 million annually to implement. This figure is included in the budget estimate above (section 4.4.1).

Recommendation to the Committee (#14): NAWG recommends that the next Farm Bill establish the barley marketing loan independently of the corn marketing loan and that it reflect 85 percent of the all barley price.

4.7 Grain Sorghum loan formula

NAWG understands that the National Grain Sorghum Growers Association will propose reforming the grain sorghum marketing loan rate in a manner that would make it equal to the corn marketing loan rate.

[10] Data for 1998 and 1999 crop years (through January 13, 2001) from various reports on the Price Support Division of the Farm Service Agency's web site.

NAWG supports this change and has incorporated it into its budget estimates and analysis. These changes, including equalizing the marketing loan with the corn marketing loan as well as the new marketing loan floor and cap, will cost an average of $28 million annually to implement. This figure is included in the budget estimate above (section 4.4.1).

Recommendation to the Committee (#15): NAWG recommends that the next Farm Bill establish the grain sorghum marketing loan rate equal to the corn marketing loan rate.

4.8 Fixed LDP rates

While maintaining the integrity of the commodity marketing loans is essential in NAWG's recommendations on the next Farm Bill, wheat producers, especially those in the northern states, believe that the program could be dramatically improved by allowing producers to "lock in" their LDP rate up to 60 days prior to harvest. Wheat prices traditionally hit their yearly low when harvest is nearing completion in the Midwest; some months before harvest is completed further north. This historic pattern has allowed producers in the Midwest to collect higher LDPs than their northern neighbors regardless of when the wheat is actually marketed.

While producers may not be able to establish their actual yield until harvest has been completed, allowing them to establish the LDP rate earlier would allow producers in northern states to benefit from the same rates enjoyed by Midwestern farmers who traditionally harvest their wheat earlier. NAWG believes that allowing a pre-harvest "lock in" of LDP rates would help bring equity to the commodity marketing loan program.

Due to a number of factors, including grower participation, changing LDP rates and production variability, NAWG believes that the costs associated with implementing this section of its testimony would be minimal. However, further study will be necessary to establish a more precise estimate.

Recommendation to the Committee (#16): NAWG recommends that the next Farm Bill include provisions that would allow producers to "lock in" their LDP rates up to 60 days prior to reporting harvested production.

4.9 Grazed-out wheat payments

Last year, Congress approved as part of its efforts to provide relief to producers included in the Agriculture Risk Protection Act of 2000 (Public Law 106-224) legislation authored by Congressman Frank Lucas (Oklahoma) that authorized a payment in lieu of an LDP on wheat production that is grazed-out instead of harvested traditionally. This practice is an important part of wheat production in the South and these payments will provide much needed relief for many wheat producers.

NAWG supports reauthorization of these payments for the coming year and making them permanent as part of the next Farm Bill. Calculations based upon wheat production in areas approved for grazed-out payments would indicated that an additional $30 million annually would be required to make this provision permanent.

Recommendation to the Committee (#17): NAWG recommends making the payment in lieu of an LDP on grazed-out acres permanent.

5.0 Creating a counter-cyclical safety net

While NAWG believes that the 1996 FAIR Act, coupled with the emergency spending authorized by Congress each of the last three years, has provided a workable network of programs for the nation's agricultural producers, wheat producers just as strongly believe that the Act lacks the proper counter-cyclical supports necessary. In addition, while some may propose replacing the entire Act with a production-based system of controls and payments, NAWG believes that the more prudent strategy would be to improve the existing programs and add an additional layer of support to them.

The NAWG plan for providing counter-cyclical payments is built upon the principle that such payments should only be made when prices have fallen so low to create dramatic need across the agricultural economy. Or, in other words, NAWG does not seek the establishment of a "safety net" so expensive and complex that it would guarantee the success of each producer across the country. To the contrary, NAWG seeks modest support that would only meet producers' most pressing needs.

5.1 Market Support Levels

The NAWG plan for counter-cyclical payments is based on the establishment of a commodity specific Market Support Level for each eligible crop. Such levels should be kept modest, but should be high enough to make the program effective. NAWG has based its analysis on the following initial levels for the 2003 crop year and has indexed each by one percent annually through the tenure of the next Farm Bill resulting in the following levels for the 2010 crop year.

	Market Support Level	
Crop	2003	2010
Wheat	$4.25	$4.56
Corn	$2.65	$2.84
Barley	$2.72	$2.92
Grain Sorghum	$2.65	$2.84
Oats	$1.40	$1.50
Upland Cotton	$0.722	$0.774
Rice	$12.15	$13.03
Soybeans	$5.55	$5.95
Sunflowers	$9.82	$10.53

The Market Support Levels listed above were calculated by taking the average total crop gross income and program support for each commodity[11] as calculated by FAPRI in their

[11] Cash receipts plus LDPs and market loan gains plus fixed payments plus market loss assistance.

work for the Commission on 21st Century Production Agriculture[12] and dividing it by the average production for each commodity over the same 1995-1999 period.[13] These amounts were then adjusted to reflect historical inequities among crops that are driven primarily by the commodity marketing loan program as explained above.

For example, the above calculation for wheat resulted in a $4.25 average and become the base from which all other Market Support Levels were compared. The soybean average was $6.15. This inflated soybean number is symptomatic of the high levels of inequity among commodity marketing loan values and dramatic increases in production since the adoption of the 1996 FAIR Act. Accordingly, the soybean number was reduced to return the comparative levels of support to equilibrium across commodities based on historical price relationships. Other commodities were adjusted in a similar manner but none to the extent of this particular example.

5.2 Calculating a payment

Under the NAWG plan, counter-cyclical payments would be calculated by subtracting the fixed payment and the higher of either the national average cash price or the national average marketing loan rate from the Market Support Level on a commodity-by-commodity basis. For example, a $0.64 fixed payment and a $2.85 marketing loan rate would result in a $0.76 counter-cyclical payment for wheat in 2003 if the national average cash price fell below the marketing loan rate.

However, should the price of wheat improve the amount of the counter-cyclical payment would decrease. The above example would yield a $0.11 payment if the national average cash price of wheat reach $3.50 and no payment would be made if the national average cash price reached $3.61 or higher.

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[12] From "Preliminary Assessment of CCP Options," November 2000.

[13] Data from 1995-1999 crop years through January 1, 2001 from activity reports on the Price Support Division of the Farm Service Agency's web site.

It is envisioned that under the NAWG plan payments for some commodities would be made in years that producers of other commodities did not qualify. For example, a producer may receive a payment on his wheat acres while at the same time not receiving a payment on his corn acres, depending on market conditions. More detailed examples are included in Appendix F.

Recommendation to the Committee (#19): NAWG recommends that the next Farm Bill include the counter-cyclical support system as outlined in its testimony.

5.3 Budget Estimates

Working together, the NAWG and FAPRI staff have completed a preliminary analysis of the NAWG counter-cyclical plan. The much more detailed FAPRI analysis will be completed by the end of March, as mentioned above. The preliminary work indicates that an average of $3.497 billion annually will be needed to fund the proposal contained in recommendations 20-21. A more complete summary of the analysis is contained in Appendix E.

Recommendation to the Committee (#20): NAWG recommends that the next Farm Bill include $3.497 billion annually of budget authority for counter-cyclical payments.

5.4 Payment limits

NAWG would oppose any limitation being placed on the amount of counter-cyclical assistance provided to a producer under this plan. Since the NAWG analysis was conducted with no payment limitation in place, there will be no additional costs associated with this recommendation.

5.5 Whole-farm Income payments

NAWG is aware that other organizations and individuals have provided testimony to the Committee regarding support for the creation of a counter-cyclical program based on "whole-farm income" or other none-commodity specific criteria. An outline for such a payment was presented as part of the majority opinion of the Commission on 21st Century Production Agriculture.

NAWG opposes these efforts. As we learned in 1997 and 1998, forces in the wheat market do not always follow those that impact other commodities. This is due to several factors outside the control of wheat producers such as foreign market demand and the unfair trading practices of state controlled wheat export agencies abroad.

Wheat prices were the first to collapse in 1997 and have remained lower longer than most other commodities.[14] Accordingly, wheat producers fear that a system that based counter-cyclical payments on a basket of commodities will not address the needs of their industry.

Recommendation to the Committee (#21): NAWG recommends that any counter-cyclical payments included in the next Farm Bill be constructed on a commodity-by-commodity basis.

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[14] Data for 1989-1999 crop years (through January 13, 2001) from the Farm Service Agency's web site.

Year	Wheat Price	Change*
1990	$2.61	-30%
1991	$3.00	15%
1992	$3.24	8%
1993	$3.26	0.6%
1994	$3.45	6%
1995	$4.55	32%
1996	$4.3	-5%
1997	$3.38	-21%
1998	$2.65	-22%
1999	$2.55	-4%

*Change from previous year.

5.6 Budget estimates

A complete budget summary that captures all of the budget estimates listed above (sections 3.0 through 5.5) is included in Appendix B.

6.0 Means testing

In addition to opposing all payment limitations, as discussed above, NAWG opposes any effort to use means testing to target benefits of farm programs to any class or size of farming operation.

Recommendation to the Committee (#18): NAWG recommends that the next Farm Bill not include any form of means testing.

7.0 Issues that cannot wait for the next Farm Bill

In addition to these elements of the next Farm Bill, NAWG strongly believes that there are several pressing issues that Congress should address this year. These items are essential to the financial wellbeing of wheat producers across the nation and simply cannot wait.

7.1 Increase USDA budget baseline

NAWG strongly believes that action must be taken this year to dramatically increase the USDA budget baseline if efforts to improve federal farm policy are to be successful. In mid-February, NAWG called upon the Chairmen and Ranking Members of the House and Senate Budget committee to authorize the expenditure additional funds each year covered by the next Farm Bill. NAWG encourages this Committee to actively pursue this additional funding.

Recommendation to the Committee (#22): NAWG recommends Congress approve additional funding within the USDA budget baseline.

7.2 Freezing fixed payments

NAWG strongly believes that action must be taken to prevent the further erosion of the critical support included in the 1996 FAIR Act. It makes little sense to farmers that despite the continuation of low commodity prices, support payments continue to decrease each year.

The idea of freezing AMTA has enjoyed wide bipartisan support. We encourage you to act on this issue this year and that payments be frozen at the 1999 level. Doing so would not jeopardize "freedom to farm" or other elements of the 1996 FAIR Act and would require $1,595,000,000 of additional budget authority in FY2003.

Recommendation to the Committee (#23): NAWG recommends freezing AMTA payments at the 1999 level for the remainder of the tenure of the 1996 FAIR Act.

7.3 Market loss assistance payments

Wheat producers greatly appreciate the emergency financial assistance authorized by Congress each of the last three years. It has been repeated many times but remains frightfully true that many would have been forced out of business had not this support been approved.

Producers continue to face low commodity prices with little relief in sight. According to baseline projections made by FAPRI, the national average cash price for wheat is expected to remain far below the cost of production for the foreseeable future.[15]

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[15] From figures included in FAPRI's 2001 U.S. Baseline Briefing Book. The expected price of wheat for the next ten years is:

2001/02	$2.88
2002/03	$2.91

Accordingly, NAWG believes that Congress should act early this year to provide additional assistance and has asked the House and Senate Budget Committees to provide authority for such payments as part of this year's Budget Resolution. In addition, due to decreasing support from other parts of the 1996 FAIR Act, this year's assistance must be increased from the level provided in previous years.

NAWG supports authorization of a $9 billion package, including $7 billion for traditional program crops and $2 billion for livestock and specialty crop producers.

Recommendation to the Committee (#24): NAWG recommends approval of a $9 billion assistance package this year.

7.4 Tax reform

NAWG strongly believes that Congress should take steps this year to lighten the tax burden of the nation's farmers and ranchers. Common sense tax reform including the repeal of the estate tax without new capital gain taxes, the establishment of Fish, Farm and Ranch Risk Management (FFARRM) Accounts and reforms to the agricultural capital gains taxes would greatly assist budget pressed producers. While outside the scope of this Committee's jurisdiction and the next Farm Bill, NAWG calls upon the Committee to continue its efforts to advocate these reforms on our behalf.

Recommendation to the Committee (#25): NAWG recommends Congress approve meaningful farm tax reform this year.

2003/04	$3.03
2004/05	$3.11
2005/06	$3.17
2006/07	$3.25
2007/08	$3.34
2008/09	$3.39
2009/10	$3.46
2010/11	$3.55

7.5 Presidential trade promotion authority

The wheat industry believes that Congress should grant trade promotion authority to the President that is unencumbered by environmental or labor provisions. Action should be taken as soon as practical to extend this important trade tool.

Recommendation to the Committee (#26): NAWG recommends Congress approve presidential trade promotion authority this year.

7.6 Unilateral trade sanctions

Wheat growers would like to thank the Committee and the other Members of Congress that worked last year to reform U.S. sanction policy. However, more work lies before us as we seek the elimination of licensing requirements, provide access to export credit programs for all countries without a presidential waiver and rescind the travel restrictions and prohibition on commercial financing for Cuba.

Recommendation to the Committee (#27): NAWG recommends Congress take further action to reform U.S. sanction policy.

8.0 Impact on allied industries

NAWG realizes that further analysis will be needed before the full impact of its proposal on allied industries can be realized. Such work is currently under way at FAPRI (as outlined in section 1.2). However, preliminary findings suggest that any such impact should be limited.

For example, preliminary work has suggested that adoption of the NAWG plan could result in limited increases in planted grain acres and a corresponding decrease in planted soybean acres. However, it is anticipated that neither would have a statistically significant impact on commodity prices.

Similarly, since the NAWG plan retains most of the key elements of the 1996 Act and grain prices are expected to change only slightly, the impact on livestock producers would also be minimal.

The more complete analysis currently underway by FAPRI, scheduled to be completed by the end of March, is expected to further confirm these preliminary findings.

9.0 WTO compliance

Designing a proposal that is WTO compliant continues to be a primary concern for NAWG. We strongly believe that the NAWG plan meets all such requirements. This position is based on a number of key elements.

First, the NAWG plan would reduce the amount of spending currently attributed to the amber box by eliminating the ad hoc oilseed payment and reducing outlays associated with commodity marketing loans.

Second, almost half of the increased spending attributed to the NAWG plan, $2.361 billion, is in guaranteed fixed payments that have long been established as falling into the blue box.

Third, the NAWG plan would allocate $3.497 billion in counter-cyclical payments that NAWG believes may be classified as either green or blue box spending. While NAWG is seeking outside assistance from trade experts to make this important determination, we believe that a number of key factors justify this position. These include, 1) payments are based on Market Support Levels that were established by a formula based on total gross income and program support for each commodity; 2) payments are applied to only eighty-five percent of a producer's established base; and 3) payments are de-coupled from the producer's actual production and received price.

In addition, NAWG understands that there remains some unanswered questions on this third element. However, should further analysis establish that these counter-cyclical payments are indeed classified as amber box spending, an increase of this modest magnitude would not exceed current U.S. amber box commitments, even with projected increases in other commodity specific programs not included in the NAWG plan.

For example, if spending in dairy, sugar and peanut programs (currently $6.2 billion) were to rise to $6.5 billion and crop loss assistance and other payments (currently $3.2 billion) were to rise to $5 billion, there would remain $7.6 billion within the U.S. amber box limit. The NAWG plan would spend an average of $3.497 billion in counter-cyclical payments and $1.072 billion in commodity marketing loan gains and LDPs, just over $3 billion under the $19.1 billion limit. In the most expensive year of the NAWG plan, an additional $1.531 billion would be spent in counter-cyclical payments, leaving $1.5 billion for additional LDPs.

10.0 Conclusion

On behalf of the nation's wheat producers, I wish to express our sincere appreciation for this Committee's effort on our behalf. We know that if it were not for your hard work, and that of your staff, that many more of us would no longer be farming.

In addition to the recommendations made by NAWG today, wheat producers are ready to provide assistance and opinions on the other titles of the next Farm Bill when the Committee is prepared to tackle these topics. Recommendations for the risk management, conservation and trade titles are included in Appendixes I-K.

NAWG strongly believes that the farm program changes it has outlined would address the most pressing needs of the nation's agricultural producers. Wheat producers support these changes and believe that they are equitable – the plan would restore the historical relationships among program crops; financial responsible – the plan would spend only $5.161 billion over the current projected baseline; counter-cyclical – the plan would increase payments when needed and eliminate them when prices recover; and WTO compliant – by placing all additional spending in either the green or blue box or by limiting additional amber box spending to well below the established limits.

It has been an honor for me to appear before you today. As my testimony has indicated, NAWG supports maintaining the market-oriented approach put into place by the 1996 FAIR Act and believes that the foundation of farm support programs it created should remain in place. In addition, we encourage the Committee to add the proper counter-cyclical safety net needed to protect the lives and livelihoods of America's agricultural producers.

NAWG and its 23 state wheat grower associations stand ready to provide further assistance in this matter.

Appendix A

Summary of Recommendations

#1 NAWG recommends that the next Farm Bill build upon the success of the 1996 FAIR Act by keeping the basic farm support structure in place and that nothing be done to jeopardize the planting flexibility of "freedom to farm."

#2 NAWG recommends that the next Farm Bill include a guaranteed payment similar to the current transition payment equal to the amount provided for in 1999.

#3 NAWG recommends that the next Farm Bill expand the eligibility for a guaranteed payment similar to the current transition payment to oilseed producers.

#4 NAWG recommends that the next Farm Bill maintain the current historical base for calculating support payments.

#5 NAWG recommends that the next Farm Bill not include an expansion of base farm support programs to previously ineligible crops.

#6 NAWG recommends that the next Farm Bill eliminate the payment limitation on all fixed support payments.

#7 NAWG recommends that the next Farm Bill include $6.379 billion annually of budget authority for fixed payments.

#8 NAWG recommends that the next Farm Bill maintain the marketing loan provision of the 1996 FAIR Act with only minor modifications.

#9 NAWG recommends that the next Farm Bill eliminate the payment limitation on all commodity marketing loan gains and LDPs.

#10 NAWG recommends that the next Farm Bill include the commodity marketing loan caps included in its testimony.

#11 NAWG recommends that the next Farm Bill include the commodity marketing loan floors included in its testimony.

#12 NAWG recommends that the next Farm Bill include $1.072 billion annually of budget authority for commodity marketing loans.

#13 NAWG recommends that the next Farm Bill retain the wheat marketing loan as a non-recourse loan.

#14 NAWG recommends that the next Farm Bill establish the barley marketing loan independently of the corn marketing loan and that it reflect 85 percent of the all barley price.

#15 NAWG recommends that the next Farm Bill establish the grain sorghum marketing loan rate equal to the corn marketing loan rate.

#16 NAWG recommends that the next Farm Bill include provisions that would allow producers to “lock in” their LDP rates up to 60 days prior to reporting harvested production.

#17 NAWG recommends making the payment in lieu of an LDP on grazed-out acres permanent.

#18 NAWG recommends that the next Farm Bill not include any form of means testing.

#19 NAWG recommends that the next Farm Bill include the counter-cyclical support system outlined in its testimony.

#20 NAWG recommends that the next Farm Bill include $3.497 billion annually of budget authority for counter-cyclical payments.

#21 NAWG recommends that any counter-cyclical payments included in the next Farm Bill be constructed on a commodity-by-commodity.

#22 NAWG recommends Congress approve additional funding within the USDA budget baseline.

#23 NAWG recommends freezing AMTA payments at the 1999 level for the remainder of the tenure of the 1996 FAIR Act.

#24 NAWG recommends approval of a $9 billion assistance package this year.

#25 NAWG recommends Congress approve meaningful farm tax reform this year.

#26 NAWG recommends Congress approve presidential trade promotion authority this year.

#27 NAWG recommends Congress take further action to reform U.S. sanctions policy.

Appendix B

Summary of Budget Estimates

Recommendation #7 – Guaranteed Fixed Payments

FAPRI Baseline	$4.018 billion	
NAWG Plan	<u>$6.379 billion</u>	constant in all years
Changes	$2.361 billion	

Recommendation #12 – Commodity Marking Loans

FAPRI Baseline	$1.799 billion	
NAWG Plan	<u>$1.072 billion</u>	high (2003 = $2.078) – low (2006 = $0.870)
Changes	-$727 million	

Recommendation #17 – Grazed-out Wheat Payments

FAPRI Baseline	$0	
NAWG Plan	<u>$30 million</u>	constant in all years
Changes	$30 million	

Recommendation #20 – Counter-cyclical Payments

FAPRI Baseline	$0	
NAWG Plan	<u>$3.497 billion</u>	high (2004 = $5.003) – low (2010 = $2.008)
Changes	$3.497 billion	

Total Commodity Title Expenditures

FAPRI Baseline	$5.817 billion	
NAWG Plan	<u>$10.978 billion</u>	high (2004 = $13.8) – low (2010 = $8.8)
Changes	$5.161 billion	

Total CCC Outlays (commodity title expenditures plus all other CCC programs)

FAPRI Baseline	$9.320 billion	
NAWG Plan	<u>$14.481 billion</u>	high (2004 - $17.3) – low (2010 - $12.3)
Changes	$5.161 billion	

Appendix C

Summary of Fixed Payment Analysis

Commodity	FAPRI Baseline Payment Rate	NAWG Plan Payment Rate	Total Payments FAPRI Baseline	Total Payments NAWG Plan
Wheat	$0.46	$0.64	$1,057,540,000	$1,471,360,000
Corn	$0.26	$0.36	$1,846,520,000	$2,556,720,000
Sorghum	$0.31	$0.44	$203,050,000	$288,200,000
Barley	$0.20	$0.26	$88,200,000	$114,660,000
Oats	$0.02	$0.03	$5,780,000	$8,670,000
Up. Cotton	$0.056	$0.076	$469,336,000	$636,956,000
Rice	$2.04	$2.84	$348,024,000	$484,504,000
Soybeans	$0.00	$0.25	$0.00	$786,250,000
Sunflowers	$0.00	$0.46	$0.00	$22,218,000

Payment Rates in Dollars per bushel, except Upland Cotton (dollar per pound) and Rice and Sunflowers (dollar per hundredweight)

Appendix D

Summary of Loan Program Analysis

Fiscal Year ?	FAPRI BASE	2003	2004	2005	2006	2007	2008	2009	2010
Commodity Marketing Loan Rates									
Wheat	$2.58	$2.85	$2.85	$2.85	$2.85	$2.85	$2.85	$2.85	$2.85
Corn	$1.89	$1.90	$1.90	$1.90	$1.90	$1.90	$1.91	$1.96	$2.00
Grain Sorghum	$1.69	$1.90	$1.90	$1.90	$1.90	$1.90	$1.91	$1.96	$2.00
Barley	$1.74	$1.90	$1.90	$1.92	$1.95	$1.98	$2.01	$2.04	$2.08
Oats	$1.10	$1.11	$1.11	$1.10	$1.11	$1.12	$1.13	$1.16	$1.18
Cotton	$0.519	$0.52	$0.52	$0.52	$0.52	$0.52	$0.52	$0.523	$0.529
Rice	$6.50	$6.50	$6.50	$6.50	$6.50	$6.50	$6.50	$6.50	$6.50
Soybeans	$5.26	$4.92	$4.92	$4.92	$4.92	$4.92	$4.92	$4.92	$4.92
Sunflowers	$9.30	$8.70	$8.70	$8.70	$8.70	$8.70	$8.70	$8.70	$8.70
Changes in Loan Gains/LDPs									
Wheat		262	202	115	33	-1	0	0	-1
Corn		1	4	0	0	0	1	7	10
Grain Sorghum		22	87	62	33	15	4	1	0
Barley		29	52	57	72	80	83	80	74
Oats		0	1	0	0	0	0	0	0
Cotton		1	3	3	3	0	0	2	5
Rice		0	0	0	0	0	0	0	0
Soybeans		-36	-1075	-1101	-1070	-945	-521	-109	-23

Loan Rates in Dollars per bushel, except Upland Cotton (dollar per pound) and Rice and Sunflowers (dollar per hundredweight).

Changes presented in millions of dollars.

Appendix E

Summary of Counter-Cyclical Plan Analysis

Fiscal Year ?	2003	2004	2005	2006	2007	2008	2009	2010
Market Support Payments by Commodity								
Wheat	$0.58	$0.55	$0.53	$0.49	$0.45	$0.44	$0.42	$0.37
Corn	$0.15	$0.13	$0.10	$0.06	$0.04	$0.02	$0.00	$0.00
Sorghum	$0.30	$0.28	$0.24	$0.21	$0.19	$0.18	$0.14	$0.10
Barley	$0.16	$0.15	$0.15	$0.13	$0.12	$0.12	$0.10	$0.07
Oats	$0.13	$0.11	$0.09	$0.07	$0.06	$0.05	$0.04	$0.03
Upland Cotton	$0.085	$0.086	$0.087	$0.088	$0.088	$0.087	$0.086	$0.085
Rice	$2.35	$2.39	$2.30	$2.27	$2.11	$2.13	$2.07	$1.98
Soybeans	$0.38	$0.44	$0.35	$0.26	$0.15	$0.03	$0.00	$0.00
Sunflowers	$0.66	$0.61	$0.39	$0.19	$0.00	$0.00	$0.00	$0.00
Total Payments by Commodity								
Wheat	$1,334	$1,270	$1,222	$1,130	$1,023	$1,009	$962	$858
Corn	$1,052	$922	$724	$460	$250	$117	$0	$0
Sorghum	$197	$184	$160	$137	$126	$117	$94	$66
Barley	$70	$68	$64	$58	$54	$52	$43	$30
Oats	$37	$32	$27	$21	$17	$15	$13	$8
Upland Cotton	$710	$722	$733	$739	$739	$733	$724	$708
Rice	$401	$407	$392	$387	$361	$364	$353	$338
Soybeans	$1195	$1370	$1110	$831	$461	$87	$0	$0
Sunflowers	$32	$30	$19	$9	$0	$0	$0	$0
Total Payment	$5028	$5003	$4450	$3772	$3031	$2493	$2189	$2008

Payments in Dollars per bushel, except Upland Cotton (dollar per pound) and Rice and Sunflowers (dollar per hundredweight).

Totals presented in millions of dollars.

Appendix F

Counter-cyclical Examples by Commodity

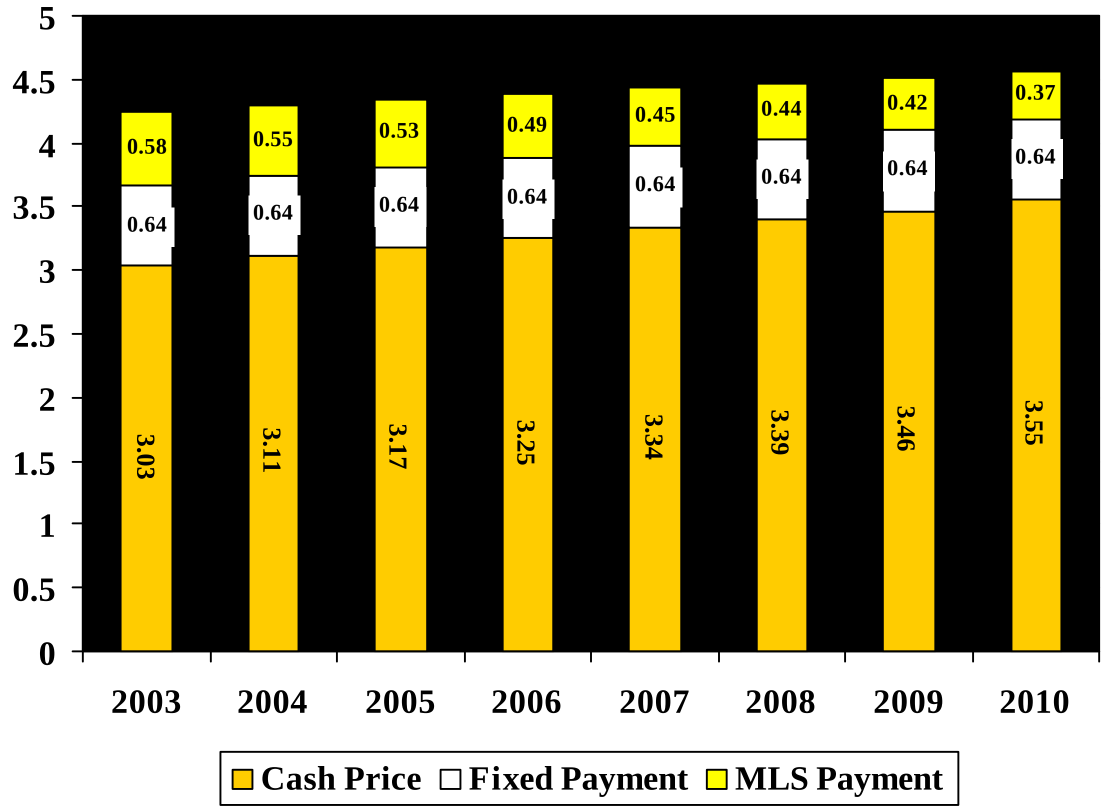
	2003	2010
	====	====
Wheat		
Market Support Level	$4.25	$4.56
Fixed Payment	$0.64	$0.64
Average Price or Loan (higher)	$3.03	$3.55
Counter-cyclical Payment	$0.58	$0.37
Soybeans		
Market Support Level	$5.55	$5.95
Fixed Payment	$0.25	$0.25
Average Price or Loan (higher)	$4.92	$5.77
Counter-cyclical Payment	$0.38	$0
Corn		
Market Support Level	$2.65	$2.84
Fixed Payment	$0.36	$0.36
Average Price or Loan (higher)	$2.14	$2.54
Counter-cyclical Payment	$0.15	$0
Cotton		
Market Support Level	$0.722	$0.774
Fixed Payment	$0.076	$0.076
Average Price or Loan (higher)	$0.561	$0.614
Counter-cyclical Payment	$0.085	$0.084

Appendix G

Counter-Cyclical Example – Wheat

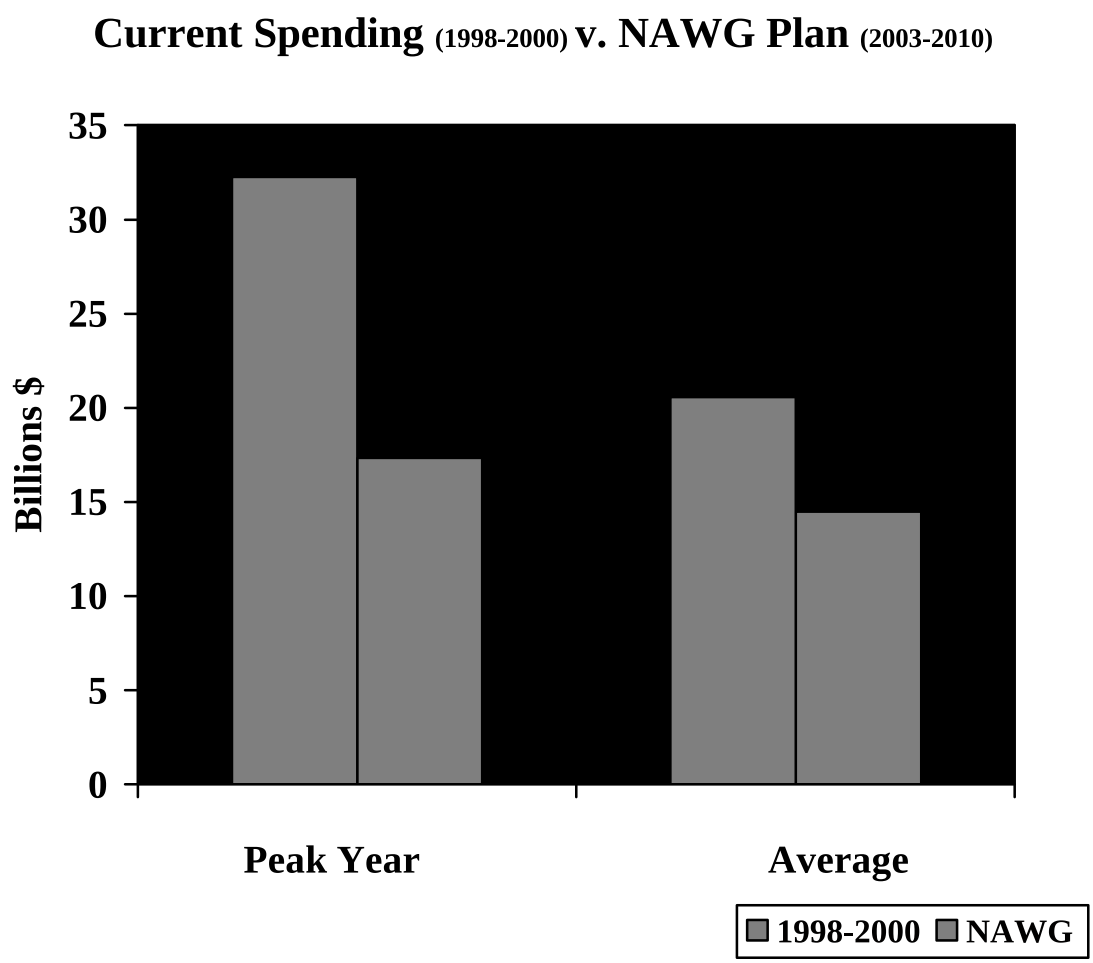
Support Under NAWG Plan for Wheat

(in Dollars Per Bushel)



Appendix H

NAWG Plan expenditures compared to Baseline



Appendix I

NAWG Risk Management Priorities

In addition to the commodity program changes outlined in its testimony, NAWG recommends that the next Farm Bill address a number of risk management issues as well.

NAWG continues to support the reforms made by Congress last year to the federal crop insurance program (Public Law 106-224). Since passage of the reform package, NAWG has been actively engaged with USDA staff to insure its proper implementation. However, more work needs to be done in this area to guarantee that the risk management needs of the nation's wheat producer are met.

CAT and NAP coverage

NAWG supports the expansion of multi-peril crop insurance to all crops and the elimination of CAT and NAP coverage. Wheat producers believe that by expanding the insurance base in this manner will help insure the overall stability and profitability of the program.

Recommendation to the Committee (#I-1): NAWG recommends that the next Farm Bill expand MPCI coverage and eliminate the CAT and NAP programs.

Yield plugs

An important part of the reforms approved last year was a 65 percent yield plug for producers whose production has been compromised by multiple years of disaster. NAWG continues to support this reform but urges the Committee to increase the plug to 85 percent.

Recommendation to the Committee (#I-2): NAWG recommends that the next Farm Bill increase the APH yield plug to 85 percent.

Appendix J

NAWG Conservation Priorities

While the focus of today's hearing remains the commodity title of the next Farm Bill, NAWG will be advancing the following proposals as part of the conservation title. NAWG strongly believes that a well crafted and fully funded conservation title is essential to keeping wheat production part of the American farm experience.

Conservation Reserve Program

NAWG supports the continuation of the Conservation Reserve Program (CRP) and has continually encouraged full enrollment of the 36.4 million acres authorized by the 1996 FAIR Act. NAWG opposes, however, the expansion of the program to any additional acres beyond the current cap.

Recommendation to the Committee (#J-1): NAWG recommends that the next Farm Bill maintain the 36.4 million acre cap on CRP enrollment.

Native grasses

NAWG is aware that current CRP regulations require land that has been previously enrolled in CRP or otherwise left out of production must be replanted with "native grasses" prior to its acceptance into a new CRP contract. In some cases, this has required producers to destroy existing grass stands and plant differing grass varieties. While the desire to populate the environment with native plants is admirable, forcing the destruction of existing covers in order to replace it with another appears contradictory of the long-term goals of the program of reducing erosion and promoting conservation of fragile or otherwise threatened lands.

While a regulatory matter, efforts to allow for existing grass stands to be ruled sufficient have been met with bureaucratic opposition. Accordingly, NAWG calls upon the

Committee to address this problem as part of its work to reform the program as part of the conservation title of the next Farm Bill.

Recommendation to the Committee (#J-2): NAWG recommends that the next Farm Bill allow existing grass stands, regardless of species, as appropriate CRP land cover.

Control of noxious weeds

The control of noxious weeds on land enrolled in CRP has reached critical status in many wheat producing areas. NAWG firmly believes that additional funds need to be provided to assist producers in this effort.

Recommendation to the Committee (#J-3): NAWG recommends that the next Farm Bill provide additional funds to assist farmers battle noxious weeds on land enrolled in CRP.

Environmental Quality Incentive Program

Wheat producers remain very supportive of the Environmental Quality Incentive Program (EQIP) and the other conservation programs which aim at assisting producers meet the needs of the nation’s environmental regulations. Providing support, expertise and financial assistance to producers actively engaged in improving the conservation practices on their farm is not only a wise investment but has helped many producers make dramatic improvements across the country. NAWG fully supports reauthorization of such programs and suggests the following improvements.

NAWG believes that great flexibility should be built into the EQIP program. Local NRCS staff, state technical committees and producers are often best positioned to determine what conservation practices, plant species and other factors may best be implemented in their area.

Additionally, many crop producers believe that over recent years programs such as EQIP have been gradually shifted to focus almost exclusively on the livestock industry. Funds and other resources must be allocated to insure that the needs of all producers are being met.

Recommendation to the Committee (#J-4): NAWG recommends that the next Farm Bill improve EQIP and other similar conservation programs to provide greater local flexibility and equality among all agricultural sectors.

The Conservation Security Act

As part of its work on the conservation title of the next Farm Bill, the Committee will be asked to consider elements of the Conservation Security Act, legislation that would create financial assistance to producers who agree to implement conservation practices on their farm. Over the last two years, NAWG has worked with the legislation's sponsors (including Senator Tom Harkin – Iowa) to ensure that the legislation was crafted in a farm-friendly manner. NAWG is pleased that most of its recommendations have been incorporated into the current versions of the legislation and that no new mandatory requirements have been included.

Furthermore, NAWG believes that the policy of rewarding producers for good conservation practices will encourage better farm management and provide the necessary incentive for producers to more actively engage in further improvement of the environment.

However, while supportive of the concept from which the legislation is based, NAWG believes that any funds allocated to the implementation of the Conservation Security Act or other similar "green payment" plan should not detract from the funding of existing farm support and conservation programs. Should new funds be allocated for this purpose above and beyond that which is necessary to implement the farm program improvements explained above, NAWG would support the Committee's inclusion of the legislation as part of the conservation title of the next Farm Bill.

Recommendation to the Committee (#J-5): NAWG recommends that the next Farm Bill pursue the possibility of providing "green payments" to farmers actively engaged in conservation practices only if funds are made available above and beyond that which is needed to secure the farm safety net and improve other existing programs.

Appendix K
NAWG Trade Policy Priorities

NAWG believes that any Farm Bill would be incomplete without a well structured and sufficiently funded trade title. In light of the fact the almost 50 percent of all U.S. grown wheat is exported, NAWG, U.S. Wheat Associates and the Wheat Export Trade Education Committee all agree that the items explained below are the wheat industry's priorities for the trade title of the next Farm Bill. More detail will be provided at future hearings that deal specifically with these issues.

Foreign Market Development Program

The wheat industry strongly supports the Foreign Market Development (FMD) or Cooperator Program. This important program is funded jointly by U.S. agricultural producers and the federal government. Many producers directly support the program through check-off funds collected at the state and/or federal level, which are then allocated to U.S. trade organizations that promote the export of one or more U.S. agricultural commodities. None of these-producer-supported organizations have a business interest in or receive remuneration from specific sales of agricultural commodities.

The Cooperator Program has played an important role in increasing U.S. agricultural exports from $3 billion at its inception in 1955 to a level of $51.6 billion in fiscal year 2000.[16] It is one of the key building blocks of a sustainable, results-oriented U.S. agricultural export strategy. In order to secure the growth and health of the FMD program, we believe that it should be funded at no less than $40 million with progressive increases throughout the life of the next farm bill.

Recommendation to the Committee (#K-1): NAWG recommends that the next Farm Bill fund the FMD program at no less than $40 million annually.

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[16] Data for 1995-1999 from "Foreign Agricultural Trade of the United States", USDA's Economic Research Service (ERS). Data for 2000 from ERS's "U.S. Agricultural Trade Update," February 28, 2001.

Market Access Program

Likewise, the wheat industry supports aggressive funding for the Market Access Program (MAP). MAP is a cost-share program under which farmers and other participants contribute their own resources to be eligible. It has been and continues to be an excellent example of an effective public/private partnership that works.

Since it was originally authorized, funding has been gradually reduced from a high of $200 million to its current level of $90 million – a reduction of more than 50 percent. Global agricultural trade is still characterized by extensive use of export subsidies by our competition. While U.S. programs such as MAP have already been reduced in recent years, our foreign competitors have continued to heavily subsidize and aggressively promote their products in an effort to capture an increasing share of the world market at the expense of U.S. producers. A recent USDA study shows our competitors outspending the U.S. by as much as 20 to 1 on market promotion and export subsidies.[17] Our competitors are spending over $100 million just to promote their products into the United States – more than what the U.S. currently spends under MAP to help promote exports of all American grown and produced commodities world-wide.
For these reasons, we strongly urge that funding for MAP be increased from its current $90 million level as part of the next Farm Bill. This would send a strong message to our competitors and enhance the negotiating leverage of the U.S. throughout the current round of WTO negotiations.

Recommendation to the Committee (#K-2): NAWG recommends that the next Farm Bill fund MAP to the fullest extent possible.

[17] Data from "U.S. and Competitor Expenditures on Export Promotion with Export Subsidies for Agricultural, Forestry and Fishery Products," USDA Foreign Agricultural Service, June 30, 1998 (table one).

Export Enhancement Program

The wheat industry supports the reauthorization and full funding of the Export Enhancement Program (EEP) to enhance U.S. wheat exports and market development programs until all export subsidies have been eliminated. Unfortunately, EEP has not been utilized in its current form since 1996 despite continued use of export subsidization from our competitors. We support the availability of EEP funds for all market promotion and development programs that may positively impact exports. In addition, EEP funding should be flexible enough to use for market development or as a direct subsidy in response to unfair competition.

Recommendation to the Committee (#K-3): NAWG recommends that the next Farm Bill reauthorize EEP and expand the program's flexibility.

Export Credit Guarantee Programs

USDA's export credit guarantee programs were designed to facilitate the sales of U.S. agricultural products. GSM programs have effectively assisted many countries in the purchase of U.S. wheat. The wheat industry supports the continuation of the GSM programs. Additionally, we support revising the export credit program to better meet the needs of private sector buyers.

Recommendation to the Committee (#K-4): NAWG recommends that the next Farm Bill fund GSM programs to the fullest extent possible.

Food Assistance Programs

While outside the scope of the Farm Bill, I would like to also note the wheat industry's support of the continued use of PL 480 (Food for Peace) and Section 416b (Food for Progress) programs as long as they do not interfere with commercial sales. It is our belief that food assistance should play a significant role with respect to total U.S. foreign aid.